

Income Tax Deductions Based on Actual Fact, Shidler States

Continuing his explanation of deductions in your Federal Income Tax return, City Judge John Shidler today presents the sixth of his series written especially for this newspaper. His Honor has much information of value for those who must wrestle with F. I. T. returns and remain on their feet at the bell, March 15.

By JUDGE JOHN SHIDLER

We have covered in our discussions so far, Income and Deductions. Because the latter title is such a good topic for home argument we shall hereafter delve further into deductions' depths and look at some examples.

Dues paid to social and athletic clubs are deductible as business expenses if paid for business purposes and not for social reasons. The same rule is applied to deductions for the expense of entertaining customers.

If the amount of this type of deduction is large, however, the bureau will give the matter close scrutiny and it might sue you and make you prove in court that you are correct.

Contributions Limited
In the case of Johnson vs. U. S., USDC, S. D. Cal., 11-29-41, a lawyer spent over \$750 for country club dues, greens fees, food, etc. He claimed that he contacted his clients this way and that he did not enjoy golf. While the bureau could not prove otherwise, the winning attorney was put to the expense and trouble of a refund suit to establish this deduction.

From this case we learn that even though we may be correct, if the amount claimed as a deduction is suspiciously large or improbable by its nature, it may be expensive to establish it as a deduction.

About contributions, which we covered generally last week, an additional fact must be pointed out. The deduction must not exceed 15% of the taxpayer's net income, computed without the benefit of the deduction.

Thus if we netted \$3,000 and gave to the Red Cross, Chest and church \$500, we would not be allowed to deduct all of this as it exceeds 15% of our net income. We would be limited to a deduction of \$450 or 15% of \$3,000. I fear, however, that there are few persons here who will suffer from this 15% limitation.

Quake and Bad Debts
Interest paid on debts owed is deductible. However, in the case of Gilman v. Comm., 53 Fed(2d) 47, the court held that just because Mr. G. paid "interest" to his wife and children on notes which he had given them, this "interest" was a gift and a ruse to gain a deduction and not allowable. Contributions are deductible only when given to organized charities as we know. If Mr. G. had borrowed actual money from his wife and children, he could have deducted interest paid them on the loans.

The Torrance earthquake caused much loss and these losses are deductible. The damage must be computed not on a basis of replacement value but upon a fair valuation of the property on Nov. 13. Thus if we bought some dishes and furniture on Jan. 1, 1935, for \$1,000 with a normal "life expectancy" of 10 years, and after the quake the property was all destroyed we would not take a \$1,000 loss. The proper loss would be near \$300 or \$400 as the property would have been gone by 1945 normally. The actual cost of repairs would be the amount of loss to the home.

Loss on Bad Debts always confuses professional men. They generally file a return on the "cash basis" and list as income only the actual cash received. Generally such men render services in return for money. The doctor who did not list in his gross cash income the promise to pay of Jim Jones, wants to deduct it from his gross cash income when Jones goes thru bankruptcy. Of course it is not allowed. If the doctor had been paying a tax on his accrued income which included accounts receivable, then when the accounts diminished due to the bankruptcy, the doctor would be allowed the deduction.

Knowledge Brings Savings
When a taxpayer has loaned cash and the debtor refuses to repay the loan, the situation is entirely different because cash

BRAND 'EM AGAINST THEFT



Following the venerable western practice of branding cattle and horses as a protective measure against theft, Firestone dealers and stores will brand tires with owners' initials. More modern than its western counterpart, the branding tool used here is electrically heated and so designed that letters can be changed in a few seconds.

This service will be provided without charge as part of Firestone's new free Extra Mileage Plan, inaugurated to help car owners get greater mileage out of their tires and longer service from their cars and trucks, according to Ryan Daggett, manager of the Torrance Firestone Auto Supply & Service Store at Marcelina and Cravens ave.

While the brand of three initials may not be as picturesque as the Circle R or the Bar X brands of the cattle range, it serves the same purpose by establishing ownership. Branding also facilitates the tracing of tires that may have disappeared.

The motorist who utilizes the new Extra Mileage Plan is assigned a specific day on which to bring his car in each month for a bumper-to-bumper inspection. Tests and inspections are made of the tires, battery, spark plugs, ignition, cooling system, electrical connections, brakes, wheel alignment and balance, and all parts of the car which may need service.

Marine Baseball Schedule Announced

Following is the Marine League baseball schedule:

Tuesday, Feb. 24, 3 p. m.—San Pedro at Torrance city park diamond; Banning at Gardena; Narbonne at El Segundo.

Friday, Feb. 27—Gardena at Narbonne; San Pedro at Banning; El Segundo at Torrance.

Tuesday, March 3—Torrance at Gardena; Banning at Narbonne; San Pedro at El Segundo.

Friday, March 6—Torrance at Banning; Narbonne at San Pedro; Gardena at El Segundo.

Tuesday, March 10—Narbonne at Torrance; Gardena at San Pedro; El Segundo at Banning.

Friday, March 13—Torrance at San Pedro; Gardena at Banning; El Segundo at Narbonne.

Tuesday, March 17—Narbonne at Gardena; Banning at San Pedro; Torrance at El Segundo.

Friday, March 20—Gardena at Torrance; Narbonne at Banning; El Segundo at San Pedro.

Tuesday, March 24—Banning at Torrance; San Pedro at Narbonne; El Segundo at Gardena.

Friday, March 27—Torrance at Narbonne; San Pedro at Gardena; Banning at El Segundo.

All games will be seven innings. The Dorsey Invitational Tournament started yesterday.

is lost. The refusal to pay must be accompanied by either insolvency or the running of the statute of limitations or a judgment with the execution returned unserviceable.

Before we finish this discussion of "Deductions" we should remember that those who use 1040A need not consider them as they are given credit for an "average" deduction in that return whether they are entitled to it or not.

Deductions concern only those who file on the 1040 form of return, which generally results in a tax saving although it requires infinitely more understanding to complete.

CASH COMPARED
Total cash in the California state treasury at the end of 1941 totaled \$86,383,188, it was reported today by the state department of finance. This compares with a total cash balance of \$68,601,388 in the treasury on Dec. 31, 1940.

TORRANCE LEGION WILL SPONSOR BALL TOURNEY AT PARK IN AUGUST

Decision to sponsor a Southern California semipro baseball tournament at Torrance city park in August was reached by the Torrance American Legion Post Tuesday night. At the same time, the veterans who sponsored the 1941 tourney here, decided to sever relations with the National Semipro Baseball Congress for the coming season and conduct the series as a Southern California event.

The 1942 tournament has received the endorsement of the Southern California Baseball Association, it was reported, and Pete Sanchez, president of that organization of outstanding semipro clubs, has agreed to assist in arrangements for the series. Thus, Torrance will be the scene of continuous night games this summer for the fourth year.

A gold trophy and \$500 cash will be awarded the winner of the 1942 games—the same prizes as were presented the Shell Oil Refiners in 1938, the Bank of America in 1940 and the Northrup Bombers in 1941. Runners-up will also receive the same percentages as were given in previous series in Torrance.

No Funds Go East

Deley Riley, city recreation director, will again direct the games—his fourth term in that spot. In announcing the 1942 tournament, Jack Hallanger, member of the Legion's baseball committee, said:

"We have decided not to affiliate with the National Semipro Baseball Congress of Wichita, Kansas, this year because we believe the winner of the tournament will not be able to travel back here to the national games on account of war conditions. All of the strongest semipro teams in the Southland are sponsored by concerns engaged in defense production and they will not release their men to make the trip.

"Therefore, we cannot see any value in joining the National Congress and thus turn over the entry fees and one-half of the winner's cash award, which is sent to Wichita to guarantee the

Leech-Meng Wedding of Last May Revealed by Bride's Mother

Mrs. Florence Meng, of 1825 260th st., has announced the marriage of her daughter, Bernice Catherine, to Richard Leech, son of Mrs. Harriett Leech of Torrance.

The couple eloped to Yuma, Ariz., and were married May 25, 1941. The bride, who graduated from Narbonne in June, 1941, is a student at U. C. L. A. and the groom graduated from Torrance high school in February.

WHY, MR. NELSON!

The manufacturer who can think of nothing better to do than to hurry up and dump himself into the government's lap is destroying free enterprise.—Donald Nelson, war production chief.

Shortage of gasoline is increasing the use of producer-gas plants in small water craft in the Netherlands.

Army Food Appeals to Private Sleeth

"So far I've enjoyed the army. The work isn't too hard, the food is as good as I've ever eaten. There's plenty of it and we all put it away," so writes Private Robert S. Sleeth, son of Mr. and Mrs. Robert S. Sleeth, 1816 Post ave. Private Sleeth is assigned to the armored force replacement center at Fort Knox, Kentucky.

FAIR FACE TRIALS

Two men were arrested here Monday and charged with drunk driving. Both obtained bail and their trials have been set for Feb. 28. They were Joe Long, 64, Los Angeles, who made \$150 bail, and Jack W. Morgan, 38, Los Angeles, released on \$75 bail.

WATCH YOUR SMOKE

When black smoke issues from the exhaust pipe it is usually a sign that the fuel mixture is too rich. This means that the carburetor is drawing too much fuel and not enough air.

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| QUAIL SWEET PEAS No. 303 Can..... | 2 for 21 ^c | Pillsbury's Best FLOUR 5-LB. Paper Sack..... | 27 ^c |
| IRIS FANCY CORN No. 2 Can..... | 2 for 29 ^c | 10-LB. Paper Sack..... | 47 ^c |
| BLUE BELL SHOESTRING POTATOES No. 2 1/2 Can..... | 10 ^c | SPERRY WHEAT HEARTS Large Pkg. 21c Small Pkg. 12c | |
| ARMOUR'S STAR CHILI CON CARNE With Beans No. 1 Can | 17 ^c | | |
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